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SUPPLEMENT TO REPORT NO.

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1. The following is a translation of an article which appeared in issue No. 34 of the Vanguardia Popular (PVP) clandestine periodical, Trabajo, setting forth the Party's stand on the Costa Rican junta's economic program, the basic points of which are the nationalisation of the banks and the 10% levy on capital.

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25X1A

CENTRAL INTELLIGENCE AGENCY

- 2 -

THESIS OF VANGUARDIA POPULAR ON THE
NATIONALIZATION OF THE BANKS
AND THE 10% LEVY

A conflict having arisen between the thesis originally published by our Party on the decrees of nationalization of the banks and that of the 10% levy on capital over 50,000 colones, and the statement made by Comrade Manuel Mora on the same theme in a letter to the Diario de Costa Rica, the Political Committee has again considered the question which has had such serious repercussions and will continue having it on the financial and political situation of our country. After ample debate, the following decision was reached:

1. Considering it wrong that Comrade Mora publish articles on the questions mentioned, or on any others, if these articles do not express the previously-consulted opinion of the majority of members of the Political Committee of the National Committee.
2. With respect to the imposition of a contribution of 10% on capitals over 50,000 colones, for the purpose of paying the "war debts" and financing the program of the Junta, it states the following:
 - a. Capital levies represent an anachronistic form of taxation, inconvenient because it reduces the very sources of capital. The modern, just, and progressive form of taxation is the one on net profits.
 - b. The super-bureaucracy of the Second Republic and the absurd desire to pay the war debt at a single stroke have absorbed not only the tax in question but also twenty millions of internal debt in the first year in the shape of Treasury Notes.
 - c. That the government, upon the termination of the war, endeavored to place the weight of the war debt upon the rich and not upon the poor was a just thesis. But this could have been done by means of a special issue of "War Debt Bonds," which could have been redeemed within a prudential number of years, through an increase in the income tax. The desire of securing the backing of capitalists against the Picado Government led the Social Democratic Party to fight the income tax, even though it was moderate, just, and progressive. Subsequently, as the majority of the Figueres Cabinet, this attitude forced them to back the establishment of an inconvenient form of taxation. As might have been expected, the capitalists, who expected abolishment of the income tax, reacted violently to the new tax. It is possible that this attitude will continue.
 - d. The unprecedented squandering of the present administration makes the so-called 10% tax even less acceptable.
3. With regards to the decree of nationalization of banks, the Political Committee considers:
 - a. Not accepting the political considerations with which Comrade Mora precedes his statement on the nationalization of banks.
 - b. From this preamble it would appear that Comrade Mora continues believing in the good faith of Figueres and company and, what is worse, that these men, even though erroneously, have attempted to put a socialist platform into practice.

25X1A

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CENTRAL INTELLIGENCE AGENCY

- 3 -

- c. The Political Committee considers that the predominant ideology in the Junta on economic subjects, at least that which served as inspiration for these measures, is closer to "Peronismo" than to any other form of economic-political thought.
- d. The primary objective of the Junta, both in nationalizing banks and in establishing the 10% tax, was beyond a doubt one of bestowing enormous power upon the state machinery, not with a view to favoring the masses, but for the purpose of subjecting and oppressing them. For this reason the promulgation of the famous decree-laws coincided with the mass jailing of union and Vanguardia Popular leaders, the outlawing of the independent party of the laboring classes, and the de-facto confiscation of the assets of the CTCR and of the Party. The series of articles published by the Minister of Finance Alberto Marten at the time of issuance of the decree-laws, explaining his "Solidarista theory" make this clear, because Marten openly states that "the people are like children" whom the bourgeoisie, a "superior" class called upon to govern it, should guide by the hand. He also specifically states that the people ARE NOT CAPABLE OF GOVERNING THEMSELVES. Ideas like these have nothing in common with socialism, nor even with democratic liberalism.
4. The Political Committee accepts as just Comrade Mora's thesis that the Banco Nacional, before the promulgation of the decree of nationalization of private banks, already was an institution which, in addition to possessing authority as a bank of issue, had the character of a Central Bank, with authority to operate over the private banks and that hence it was a very powerful instrument in the hands of the State to influence, not only in the general economy of the country but also in the operation of the private banks, as it was able to orientate and control their activities with a view to the development and progress of national economy.
5. The Political Committee accepts the thesis of Comrade Mora that the four private banks of Costa Rica were simply institutions of credit, without great power over national industry and agriculture, and that hence their capital had not reached the character of "financial capital." All the basic branches of the national economy operated with the National Bank, commencing with the principal one, the coffee industry, which was being financed through this institution from the time it was no longer possible to do so through the London consignee firms.
6. The Political Committee considers that for the purpose of making the system of credit more liberal and cheaper it really would have been sufficient to amend the law which governs the operation of the National Bank of Costa Rica and the General Banking Law.
7. The Political Committee considers that, as has been proven by events, the appointment of Boards of Directors by the administration, under the conditions of political repression under which they were made, has given rise to a restriction of credit to all firms and persons who sympathized with the previous government, the banks thereby converting themselves into another lever of political repression, and in this case detrimental to the general economy of the Republic.
8. On account of historical conditions not being ripe, the premature adoption of measures such as the nationalization of banking occasion a reaction contrary to the purposes to which they are allegedly aimed, that is, those of placing credit at the service of the development of industry and of agriculture. Events have actually shown that from the nationalization of banking to date, the economic life of the country has been confronted with a very serious paralysis, as a result of which unemployment and general misery have reached alarming proportions.
9. In short, the Political Committee considers that under the present political conditions and in their present stage of development, the national economy continues requiring private initiative and capital applied to credit, even though the State should exercise strict control over private banking by means of its bank.

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